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REMARKS BY SAMUEL R. BERGER
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

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"Building a New Consensus on China"

I want to use this occasion to tell you where President Clinton hopes to take the relationship between the United States and China as we enter a new century. But in looking ahead, I think it is important to look back at how that relationship evolved over the past two and half decades. Indeed, this year marks the 25th anniversary of the Shanghai Communiqué, which led to the end of China's isolation, normalization of our relations and -- until recently -- a broad national consensus in support of strong U.S.-China relations.

The simple truth is this: the direction China takes in the years ahead will be one of the most decisive factors that will determine whether the next century is one of conflict or cooperation. The emergence of China as a great power that is stable, open and nonaggressive; that embraces political pluralism and international rules of conduct; that works with us to build a secure international order -- the emergence of that kind of China profoundly is in America's interest.

China, of course, will define its own destiny. But the decisions we make will influence China's evolution. To wield our influence effectively requires sustained domestic support for a revitalized relationship with China and a clear-eyed approach based on our national interests. I am concerned that support is fracturing -- and convinced that rebuilding it is vital to America's future.

The Shanghai Communiqué grew from a recognition both in China and the United States that there are long term strategic advantages for both our countries in cooperation -- and that we could reduce our differences without forsaking our fundamental principles.

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Before Shanghai, we had virtually no contact with China -- save for the occasional frosty meeting between mid-level officials in Warsaw, scholarly gatherings and contests between sports teams. Today, China's doors are open to tens of thousands of Americans -- and tens of thousands of Chinese are studying, working and living in the United States.

Perhaps most important, Shanghai was accompanied by an extraordinary period of economic change in China and opening to the world. Since 1972, China has quadrupled its economic output; its economy has grown at an average of 8 percent a year and it is now the 10th largest trading nation in the world. In 1972, China stood outside most of the international institutions and agreements that undergird our security and prosperity. Today, China has signed on to many of them, from the World Bank to the Chemical Weapons Convention, from the Universal Declaration of Human Rights to the Comprehensive Test Ban Treaty.

These past two decades also have seen genuine improvements in the lives of hundreds of millions of Chinese -- greater freedom of movement and choice of employment, better schools and housing, improved access to information and a more open process for choosing local officials.

Each of these strides was the result of choices made by China's leadership -- to reform their economy and to play a more constructive role in the world community. These choices were not made because of U.S. policy -- but they would not have been made without the right U.S. policy, without the United States making clear to China that its participation in regional and global affairs was necessary, that it is not our enemy and that its growth and development were welcome.

Here in America, the changes that began in the 1970's produced a renewed fascination with China, and a broad consensus that the road we had taken from Shanghai was the right one. But in the late 1980s, a confluence of events began to weaken that consensus -- and now threatens to unravel it.

First, the collapse of the Soviet Union undermined the then-prevailing strategic imperative for a strong relationship with China. Why retain a China card when the Soviets had folded their hand?

Second, Taiwan's remarkable progress toward democracy began to call into question our One China Policy -- the linchpin of our relations, but inherently built around the asymmetry of an official relationship with China and an unofficial one with Taiwan.

Third, the political reforms in China that many expected would emerge from economic reform failed to materialize. Focused on control and fearful of chaos, the regime kept a tight lid on democracy and dissent.

Eight years ago this week, these fissures blew wide apart in Tiananmen Square. In one terrible spasm of violence, Beijing crushed the mostly student democratic movement, shattered the hope that China would take a decisive step toward democracy and began the unraveling of the consensus on China policy in the United States.

Congress understandably was eager to demonstrate America's condemnation. It sought to link China's progress on human rights to its Most Favored Nation trade status. In 1992, linkage gained 60 votes in the Senate and 409 votes in the House -- and it won broad public support. But the policy proved unworkable. The linkage stick was as blunt as it was big. In effect, it threatened to destroy the relationship in order to improve it. And it posed a false dichotomy: stand up for human rights and stop economic interaction or trade with China and abandon human rights.

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Over the first two years of the Clinton Administration, we moved away from five years in which the MFN debate defined America's China policy and toward a renewed strategic dialogue with China. We have pursued this dialogue not for its own sake, but as a vehicle for advancing our national interests: increasing areas of cooperation on shared problems and dealing with our differences -- candidly, respectfully, patiently.

Our strategic dialogue with China is built around three propositions.

First, China stands at a crossroads, with conflicting forces pulling in opposite directions: inward-looking nationalism and outward-looking integration.

The fear of chaos and disintegration in China is a consistent thread that runs through much of China's history. From the days of the Qing [Ch'ing] dynasty, the center frequently has not held. Even during the period since the 1949 revolution, when communist ideology provided a cohesive framework, China underwent the searing experience of the Cultural Revolution. Today, with the collapse of that ideology, and in the absence of a legitimizing democracy, there is a distinct temptation among some in China to pursue a more chauvinistic, nationalistic direction in order to avoid losing control. Should that instinct gain sway in this new post-Deng era, China could turn away from the international community and toward hostility and hegemony, threatening stability in Asia.

But the strong pull of integration competes with the grasp of nationalism. Increasingly, China's economic growth -- which now in effect substitutes for ideology -- is fueled by the outside world. Last year, foreign firms doing business in China were the source of more than 40% of China's exports. And China's participation in international organizations has jumped from a handful twenty years ago to more than 1000 today -- from international agricultural organizations to aviation oversight regimes, from ocean management boards to space satellite conventions -- slowly entangling China in a web of international arrangements necessitated by a global economy.

The need for capital to fuel China's growth -- for which China must compete with other compelling new markets around the world -- increases the need for greater rule of law and predictability, at least in its commercial affairs. And the fellow travelers of the new global economy -- computers and modems, faxes and photocopiers, increased contacts and binding contracts -- carry with them the seeds of change. Can China successfully make the next great leap toward a modern economy in the Information Age without producing the result of empowering its people, further decentralizing decision making, and giving its citizens more choices in their lives? Possible -- but I doubt it.

That leads me to the second proposition of our strategic dialogue: a relationship as complex and multi-faceted as that between China and the United States cannot be defined by any one issue -- positive or negative. It requires that we expand areas of cooperation while dealing forthrightly with our differences. Let me touch on four issues that underscore the breadth of the relationship, and its importance to America's interests: the spread of weapons of mass destruction; our increasingly complex commercial ties; stability on the Korean peninsula; and the health of the global environment.

Stopping the spread of weapons of mass destruction is one of the most compelling priorities we face today. The record with China is neither as bad as some portray -- or as good as we would like. China supported the indefinite extension of the Non Proliferation Treaty; it has joined the Biological Weapons convention; it has signed the Comprehensive Test Ban Treaty; it has ratified the Chemical Weapons Convention; it supports negotiation of a global treaty to stop production of fissile material for nuclear weapons; it has agreed to abide by the Missile Technology Control Regime, which controls the export of technology for missiles that can deliver weapons of mass destruction. China also has curtailed its nuclear cooperation with Iran --

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especially in areas that might contribute to Iran's nuclear weapons capability-- and pledged not to assist unsafeguarded nuclear facilities in third countries.

At the same time, China maintains weapons supply relationships that trouble us and an inadequate system of export controls to assure that in a country as large as China, unauthorized sales do not occur. Last month, we imposed economic penalties against several Chinese companies for providing assistance to Iran's chemical weapons program. And we continue to raise with China our concerns about the possible sale of missile technology to Iran and Pakistan. We will use all the tools available to us -- cooperation, persistent diplomacy, targeted sanctions when appropriate -- to secure improvements in China's non-proliferation policy and bring it into all the global regimes that restrict dangerous military transfers. Increasingly, I believe China must come to see that it is in its own interest not to help arm rogue nations or feed instability near its own borders.

On the economic front, the United States has played a central role in China's modernization and economic progress. Since the Deng reforms began, American firms have made \$175 billion in direct investments in China -- our companies are now the fourth largest source of investment in the PRC after Hong Kong, Taiwan and Japan. We are China's largest market, a not insubstantial factor in fueling China's growth.

We have worked through some difficult differences, including China's unsatisfactory enforcement of our intellectual property rights. Two years ago, when China failed to stop massive pirating of our compact discs and videos, we threatened 100% or more tariffs on \$2 billion in Chinese exports. China agreed to take decisive action -- and it did, closing 15 illegal C.D. factories in 1996 and several more in recent months.

China is the fastest growing market in the world for our goods and services. But our growing trade deficit poses a genuine problem that China must address. The only answer is increased market access for American products. China cannot enjoy the benefit of our open market if our companies are denied the chance to compete in China. Similarly, China's admission to the World Trade Organization -- which we strongly support -- depends on Beijing improving its positions on market access and rule making.

We also share a strong interest in stability on the Korean peninsula. As the Cold War's last armed frontier, the DMZ remains one of the most dangerous flashpoints in the world. With China's cooperation, we convinced North Korea to freeze its dangerous nuclear program -- and we expect the North to make good on its agreement to dismantle that program. China also has agreed to take part in the Four Party Peace Talks we proposed with South Korea to advance a lasting settlement with North Korea. As the tension of recent months reminds us, the Korean Peninsula remains volatile -- and it remains very much in the interest of both China and the United States to use the influence we both have wisely.

Finally, we can't secure a healthy global environment if we lock a quarter of the world's population out of the effort to protect it. What comes out of a smokestack or goes into the water within China's borders can do grievous damage beyond them. That's why the Vice President's initiative to open a joint forum on the environment and development -- announced when he visited China in March -- is of such long range significance. It opens up the prospect for real cooperation in an area where trouble in one corner of the planet can be a plague on everyone's house.

Expanding our cooperation with China does not mean subordinating our differences, including over human rights. Let me be very clear on this point, because human rights is the most difficult divide to bridge in forging a new China policy consensus. To some, we emphasize human rights too much. To others, we are not doing enough. I believe we must avoid making a false choice between human rights and engagement.

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Our expectation that, over time, growing interdependence will have a liberalizing effect on China does not mean that we can let China off the hook for human rights abuses. An unshakable belief in human rights is part of who we are as Americans. Our leadership role in the world is due to the power of our example as well as to the example of our power. The Chinese ask us to respect their culture and heritage. We ask them to respect universally recognized human rights. People everywhere aspire to be treated with dignity, to give voice to their opinions, to worship freely, to control their political destinies -- as events from Central America to South Africa to the Philippines powerfully demonstrate. So we will continue to speak out for human rights -- and against their abuse in China. It makes a difference -- by giving hope to those who carry the fight for freedom and giving integrity to the values by which we define ourselves.

In the last six months, we again sponsored a resolution at the United Nations Human Rights Committee in Geneva focusing on human rights violations in China. Many of our allies abandoned the effort. But a lonely voice is better than no voice at all. The State Department continues to publish unvarnished reports on human rights in China. We will speak out against the arrest of dissidents and speak not only with China's leaders, but also with voices for change -- from Martin Lee to the Dalai Lama. We will maintain the Tiananmen sanctions. We will work with Congress to significantly expand Radio Free Asia broadcasts to China in Mandarin. We will provide greater support for civil society and rule of law programs in China. And we will work more closely with the business community, challenging it to play its part in helping move China toward a more rules-based, transparent, accountable system.

In this effort, we need to be clear about our objectives. Change will not come overnight. And it most assuredly will not come if we isolate ourselves from China or cut off our relationship. If we fail to engage China, we will fuel the very inward-looking forces that trample human rights. But if we engage for the long haul, encouraging the evolution of the rule of law and civil society in China through contacts across borders, among people and between governments; if markets expand and information flows; if we continue to call it as we see it when rights are suppressed; there is a far greater chance the roots of a more open society will gain strength.

Similarly, pursuing a strategic dialogue with China does not mean we are closing our eyes to the future of Hong Kong -- on the contrary, it serves our interest in helping sustain freedom and prosperity for Hong Kong after its reversion to China on July 1. 1,100 American companies operate in Hong Kong, making it the capital of American business in the fastest growing part of the world. It's one of the few places in Asia where we run a trade surplus. Our Navy ships put in port calls 80 times a year. And it matters to us that the people of Hong Kong preserve their way of life.

The process by which the United Kingdom and China reached their reversion accord in 1984 was difficult -- but the result admirable. In the Joint Declaration and Basic Law, the PRC pledged to maintain Hong Kong's autonomy, freedoms and way of life. Living up to that pledge is as much in China's interest as it is in Hong Kong's -- or in ours. First, because a dynamic, prosperous and free Hong Kong will continue to drive growth and progress in China. Second, because the world is watching. A smooth reversion will promote China's international prestige -- but handled badly, the transition will tarnish China.

As events unfold, our first responsibility is to put the transition into perspective. It does not begin nor will it end on July 1. It has been underway for fifteen years and it will unfold in the months and years ahead. Hong Kong's reversion to China is a motion picture, not a snapshot. We should not prejudge the outcome -- or lose interest when the cameras leave. And we should look to the people of Hong Kong in judging the transition's success.

What the people of Hong Kong expect -- and what the international community has the

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right to expect -- is that China adheres to the letter and the spirit of the Joint Declaration. We should look to see if elections for the new legislature are set soon and held freely; if freedom of speech, press, religion and association are maintained; if the civil service continues to function professionally; if Hong Kong's courts operate without interference; if its economy remains open and market oriented.

Finally, the third basic proposition behind our strategic dialogue is the continuing logic of the One China policy. Americans have been heartened by powerful movement toward democracy in Taiwan. We welcome it. The issue is not our support for democracy in Taiwan, but how best to sustain it.

The One China policy has worked. And it continues to be the right approach. It has allowed democracy to flourish in Taiwan and all three relationships to prosper -- between the United States and the PRC, between the United States and Taiwan and between Taiwan and the PRC. It provides the stability needed for growth. And it buttresses our conviction that the Taiwan question can only be settled by the Chinese themselves -- peacefully. It would be a serious mistake for us to abandon the One China policy. And it also would be a serious mistake for either party unilaterally to undermine the prospects for a peaceful resolution to the Taiwan issue -- as we made clear in sending our aircraft carriers to the region in the wake of China's provocative military exercises.

In laying out the purpose of our strategic dialogue with China and the propositions behind it, I want to end with the one development that could destroy the dialogue, do grievous injury to the interests of the United States, and shatter a new consensus on China -- a vote by Congress to revoke Most Favored Nation trade status for China.

The goals of the opponents to normal trading relations with China generally are ones we share -- advancing human rights and religious freedom, promoting fair trade, strengthening regional and global security. But the method they have chosen -- destroying our economic relations with China -- is profoundly misguided.

Revoking MFN would cut off our contact with the Chinese people, not strengthen the forces for human rights. It would eliminate, not facilitate, cooperation on weapons proliferation. It would close one of the world's emerging markets to our exports. And it would drastically weaken Hong Kong -- which handles over 50% of U.S.-China trade and depends on normal trade status -- just when its economic strength is vital to ensure autonomy from Beijing. That's why Hong Kong leaders across the political spectrum, including Governor Patten, Democratic Party leader Martin Lee and Chief Secretary Anson Chan all favor renewal. Finally, revoking MFN would make China more isolated and less likely to play by the rules of international conduct. Treating China as our enemy could well make China our enemy.

Twenty-five years after the Shanghai Communiqué, China's isolation is giving way to international engagement, its backward economy to remarkable growth, its dying ideology to the first stirrings of change.

But the results are far from pre-ordained: inward looking isolation, or outward looking integration? As we create the structures and policies that will become the foundation for security and prosperity into the new century, one of our most critical challenges is to bring China into the effort as a stakeholder -- to make the choices ourselves that will make it more likely China makes the right choices.

The United States will survive and flourish even if China stays outside the international system and inside a cocoon of self-absorption and xenophobia. But our interests are far better served by increasing cooperation, avoiding chaos and strengthening economic growth.

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To succeed will require the vision to imagine a new relationship between two great powers. The courage to see it through. The confidence that universal values will prevail in China as they are around the world. The conviction that it is profoundly in America's interests to work with, not isolate ourselves from, a quarter of the world's population. That is the course this Administration has chosen. But we cannot walk it alone. And so in closing, let me call on your leadership to help us rebuild a broad national consensus on China policy. A consensus that will serve America's interests and our ideals in the challenging years ahead.

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